

Legislative Audit Division

State of Montana



Report to the Legislature

March 1997

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1996

Department of Fish, Wildlife and Parks

This report contains two recommendations and one disclosure issue to the department related to:

- ▶ **Internal Service Fund rates.**
- ▶ **Commission meetings.**
- ▶ **Accounting for vehicle expenditures.**

**Direct comments/inquiries to:
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Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705**

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act of 1984 and Amendments of 1996, and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1995 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
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Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

March 1997

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Fish, Wildlife and Parks for the two fiscal years ending June 30, 1996. This report has two recommendations concerning Internal Service Fund rates, commission meetings, and one disclosure issue related to accounting for vehicle expenditures.

We thank the director and his staff for their assistance and cooperation.

Respectfully submitted,

"Signature on File"

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1996

Department of Fish, Wildlife and Parks

Members of the audit staff involved in this audit were Pete Brustkern, Geralyn Hoffman, Emlyn Neuman-Javornik, Wayne Kedish, and Susan McEachern.

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Appointed and Administrative Officials

Montana Fish, Wildlife and Parks Commission

Term Expires

Stanley F. Meyer, Chairman	Great Falls	1997
Dale R. Tash	Dillon	1999
Darlyne Dascher	Fort Peck	1999
David W. Simpson	Hardin	1997
Charles R. Decker	Libby	1997

Administrative Officials

Patrick J. Graham, Director

Robert Martinka, Chief of Staff Operations

Dave Mott, Administrator, Administration and Finance Division

Ron Aasheim, Administrator, Conservation Education Division

Jerry Wells, Administrator, Field Services Division

Larry Peterman, Administrator, Fisheries Division

Beate Galda, Administrator, Law Enforcement Division

Arnold Olsen, Administrator, Parks Division

Don Childress, Administrator, Wildlife Division

Report Summary

Department of Fish, Wildlife and Parks

This audit report is the result of our financial compliance audit of the Department of Fish, Wildlife and Parks for the two fiscal years ended June 30, 1996. The previous audit report contained one recommendation to the department which has been implemented. This report contains two recommendations. The first addresses our concern with rates commensurate with costs in the Internal Service Fund. The second recommendation addresses compliance with state meeting laws. This report also contains a disclosure issue related to accounting for vehicle expenditures.

We issued an unqualified opinion on the financial schedules contained in the report. This means the reader may rely on the presented financial information and the supporting data on the Statewide Budgeting and Accounting System.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department adjust rates in the Internal Service Fund to ensure fees are commensurate with costs in accordance with state law. 6

Department Response: Concur. See page B-3.

Recommendation #2

We recommend the department have a quorum of commission members present to conduct business and approve decisions. 6

Department Response: Concur. See page B-3.

Introduction

Introduction

We performed a financial-compliance audit of the Department of Fish, Wildlife and Parks (department) for the two fiscal years ended June 30, 1996. The objectives of the audit were to:

1. Determine if the department complied with applicable laws and regulations which could have a significant effect on the financial schedules.
2. Make recommendations for improvement in the management and internal controls of the department.
3. Determine if the financial schedules present fairly the results of the department's operations for the two fiscal years ended June 30, 1996.
4. Determine the implementation status of prior audit recommendations.

As required by section 17-8-101(5), MCA, we audited and are reporting on the reasonableness of Internal Service Fund type fees and fund equity balances at the department. The statute requires fees and charges for services which are deposited into Internal Service Funds be based upon commensurate costs. The Internal Service Funds at the department include the duplicating center, vehicle account, grounds maintenance and snow removal, and the warehouse inventory. We found the department's fees are not commensurate with costs, see page 5 for our finding and recommendation related to the statute.

In accordance with section 5-13-807(2), MCA, we analyzed and disclosed the cost, if significant and practical to obtain, of implementing the recommendations made in this report.

Background

The department's goal is to preserve, protect, enhance, and maintain Montana's wildlife and its habitat for present and future generations. In addition, it is the department's responsibility to provide state resources for the use and enjoyment of state parks and wildlife by the people.

Introduction

The department's headquarters are located in Helena. The department operates from seven regions, with offices located in Kalispell, Missoula, Bozeman, Billings, Great Falls, Glasgow, and Miles City. A regional supervisor directs each region and supervises managers within the region.

A five-member Fish, Wildlife and Parks Commission provides policy to the department concerning resource management, length of seasons, and use of lands owned or controlled by the department. Commission members are appointed by the governor and confirmed by the senate. Statute requires representation from five geographical areas of the state.

The following paragraphs discuss the functions of the various divisions within the department. The department had a total of 542.43 budgeted full-time equivalent positions at fiscal year-end 1995-96.

Administration and Finance - is an administrative and support unit of the department. Division responsibilities include accounting, fiscal and budgeting services, personnel administration, purchasing and property management services, federal aid administration, general and special licensing, word processing, data processing, and computer support. This program accounted for 16.3 percent of total expenditures in fiscal year 1995-96, of which 6 percent is transfers to other funds.

Field Services - is responsible for a wide array of support functions to the department and its field offices. These functions include game damage program administration, landowner/sportsman relations, block management, design and construction of department facilities, and the aircraft pilot pool. This program accounted for 7.8 percent of total expenditures in fiscal year 1995-96.

Fisheries - is responsible for preserving and perpetuating all aquatic species and their ecosystems and meeting the public demand for fishing opportunities. This program accounted for 15.7 percent of total expenditures for fiscal year 1995-96.

Law Enforcement - is responsible for ensuring compliance with laws and regulations regarding fish, wildlife and parks through enforcement actions, education and enhancing relations with landowners,

recreationists and the general public. This program accounted for 12 percent of total expenditures for fiscal year 1995-96.

Wildlife - is responsible for management of all native wildlife species within the state. The goal of the division is to protect, perpetuate, enhance, and regulate the use of renewable wildlife resources for public benefit now and in the future. This program accounted for 15.4 percent of total expenditures in fiscal year 1995-96.

Parks - is responsible for conserving the scenic, historic, archaeologic, scientific, and recreational resources to meet present and future needs. This program accounted for 12.6 percent of total expenditures for fiscal year 1995-96.

Conservation Education - is responsible for the public relation functions of the department including film production and publication and distribution of the Montana Outdoors magazine. The division also informs the public about fish and wildlife laws, administrative rules, and policies designed to regulate outdoor recreational activities. This program accounted for 4.4 percent of total expenditures in fiscal year 1995-96.

Department Management - is responsible for department direction regarding policy, planning, program development, guidelines and budgets, direct interaction with the Fish, Wildlife and Parks Commission, and decision making authority for key resource activities affecting the department. This program accounted for 6.9 percent of total expenditures in fiscal year 1995-96.

Capital Outlay - is for major repair and maintenance of the department's properties, for renovation and construction of facilities and protection and enhancement of critical habitats. Fiscal year 1995-96 capital outlay expenditures accounted for 9 percent of total expenditures.

The department is primarily funded by user fees such as hunting and fishing licenses and state park use fees. Licenses and permits revenue was 56 percent of total revenue in fiscal year 1995-96. Federal revenue is the other major source of revenue for the department, amounting to 21 percent in fiscal year 1995-96. The department receives federal moneys to aid in fish and wildlife restoration efforts; for parks development and maintenance; for boating safety, education and regulation; and other programs.

Findings and Recommendations

Internal Service Fund Charges For Services Commensurate With Costs

The department operates Internal Service Funds for its duplicating center, the vehicle pool, the warehouse inventory, and grounds maintenance and snow removal. The department annually sets the rates for each of these functions and charges these rates to the various programs that use the services of the Internal Service Funds. We reviewed the rates in the Internal Service Funds to determine if fees are commensurate with the cost of services. We found the department charged fees in excess of costs in fiscal year 1995-96. The fund balances in the Internal Service Funds increased by approximately \$552,000 between fiscal year 1994-95 and 1995-96. Of this increase, approximately \$209,000 is due to a transfer into the vehicle account from the Special Revenue general license account to cover the replacement cost of vehicles. Another \$127,000 is related to accounting for fiscal year 1994-95 accruals as addressed in the disclosure issue on page 7.

The remaining increase in the department's four Internal Service Fund balances for fiscal year 1995-96 is approximately \$216,000, with the majority of the increase attributable to the vehicle account. The department adjusted its fiscal year 1996-97 vehicle rates for a \$136,000 gain on the sale of vehicles. However, we could not find clear documentation the department's four Internal Service Fund rates have been adjusted for the remaining fund balance increases of \$80,000.

Section 17-8-101(5), MCA, requires fees and charges for services which are deposited into Internal Service Funds to be based upon commensurate costs. State law does not intend for a profit or other amounts above cost to be collected by the Internal Service Fund.

Department personnel said they believe the rates charged provide a reasonable basis to cover costs in the Internal Service Fund. They also said the increase in fund balance is due to an increase in the value of equipment. However, any increase in fund balance and equipment is the result of transfers from other funds or revenue from fees in excess of the cost of services.

Findings and Recommendations

Recommendation #1

We recommend the department adjust rates in the Internal Service Fund to ensure fees are commensurate with costs in accordance with state law.

Commission Meetings

The Montana Fish, Wildlife and Parks Commission held a conference call in September 1996 and approved the final changes for the 1996 waterfowl season. Two commission members were present for the conference call, two were excused and one member voted by proxy.

State law defines a quorum as a majority of commission members and requires a quorum present to do business. Also, a favorable vote of at least a majority of all members of the commission is required to adopt any resolution, motion or other decision. A quorum for the FW&P commission is three members. Because voting by proxy is not provided for in law, only two members approved the September decision. As a result, the decision reached by the commission is invalid. Also, the meeting was not valid since a majority of members were not present.

Department personnel said the meeting was done under time constraints to get the regulations approved. The commission chairman and the department overlooked the statutory requirement.

Recommendation #2

We recommend the department have a quorum of commission members present to conduct business and approve decisions.

Disclosure Issue

Accounting for Equipment Expenditures

The majority of the department's vehicle expenditures are recorded in the Internal Service Fund. When the department purchases vehicles they record an expenditure for the purchase price of the vehicles. The department then reduces expenditures for the total amount of the purchase in the same year. This accounting procedure was established in State Accounting Policy for proprietary funds in order to allow appropriation control of vehicle purchases while still allowing the expenses of fixed assets to be allocated using depreciation expenses.

The department records an expenditure for vehicle purchases if they have ordered but not received them by fiscal year-end. Since the department has not received these vehicles by fiscal year-end state policy does not allow the department to capitalize these expenditures in the same fiscal year. When the department does not capitalize these vehicle expenditures in the same fiscal year, the equipment expenditures recorded on SBAS are overstated and the fund balance is understated. The department's compliance with state policy results in not matching equipment expenditures and capitalization in the correct year. For example, the vehicle account fund balance was understated by \$127,187 at fiscal year-end 1994-95.

Since the department is in compliance with state policy, we make no recommendation to the department. However, we are working with the Department of Administration to establish accounting procedures which will not misstate fiscal year-end fund balances.

Independent Auditor's Report & Agency Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Department of Fish, Wildlife and Parks for each of the two fiscal years ended June 30, 1995 and 1996, as shown on pages A-5 through A-17. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

In our opinion the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances and property held in trust of the Department of Fish, Wildlife and Parks for the two fiscal years ended June 30, 1995 and 1996, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

"Signature on File"

James Gillett, CPA
Deputy Legislative Auditor

December 12, 1996

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1996

	General Fund	Special Revenue Funds	Enterprise Funds ¹	Internal Service Funds	Agency Funds	Nonexpendable Trust Funds
FUND BALANCE: July 1, 1994	\$ 0	\$ 42,551,768	\$ 427,216	\$ 4,269,992		\$ 18,585,751
PROPERTY HELD IN TRUST: July 1, 1994					\$ 3,253,276	
ADDITIONS						
<u>Fiscal Year 1994-95</u>						
Budgeted Revenues & Transfers In	40,280	47,870,142	74,668	2,118,875		1,776,935
Nonbudgeted Revenues & Transfers In		763,010		135,500		(2,953)
Prior Year Revenue Adjustments		628,467		101		(3,885)
Direct Entries to Fund Balance		31,000				
Support From State of Montana	238,328					
Additions to Property Held in Trust					6,925,120	
<u>Fiscal Year 1995-96</u>						
Budgeted Revenues & Transfers In	57,986	47,703,704		2,142,690		1,967,385
Nonbudgeted Revenues & Transfers In		959,285		137,389		5,607
Cash Transfers In		1,239,947				356,573
Prior Year Revenue Adjustments	(3,610)	1,584,249		4,004		72,815
Support From State of Montana	348,212					
Additions to Property Held in Trust					7,214,953	
Total Additions	<u>681,196</u>	<u>100,779,804</u>	<u>74,668</u>	<u>4,538,559</u>	<u>14,140,073</u>	<u>4,172,477</u>
REDUCTIONS						
<u>Fiscal Year 1994-95</u>						
Budgeted Expenditures & Transfers Out	275,935	41,269,229	74,671	2,308,794		
Prior Year Expenditures		(27,829)				
Nonbudgeted Expenditures & Transfers Out		721,394	(65,392)	(217,324)		1,300,716
Nonbudgeted Prior Year Transfer-Out Adjustments				3,368		
Prior Year Expenditure Adjustments	2,674	219,172		(5,001)		
Nonbudgeted Prior Year Expenditure Adjustments			15,881	(126,968)		
Cash Transfers Out		186,958				
Prior Year Transfer Out Adjustments		6,541				
Reductions to Property Held in Trust					7,204,096	
<u>Fiscal Year 1995-96</u>						
Budgeted Expenditures & Transfers Out	407,582	40,394,560		2,274,444		
Prior Year Expenditures		24,049		19		
Nonbudgeted Expenditures & Transfers Out		938,179	466,685	(522,420)		1,486,025
Prior Year Expenditure Adjustments	(4,995)	132,705		(20,792)		
Nonbudgeted Prior Year Expenditure Adjustments		47				
Direct Entries to Fund Balance		50,010	10,039	879		
Reductions to Property Held in Trust					7,100,830	
Total Reductions	<u>681,196</u>	<u>83,915,015</u>	<u>501,884</u>	<u>3,694,999</u>	<u>14,304,926</u>	<u>2,786,741</u>
FUND BALANCE: June 30, 1996	\$ 0	\$ 59,416,558	\$ 0	\$ 5,113,552		\$ 19,971,487
PROPERTY HELD IN TRUST: June 30, 1996					\$ 3,088,423	

¹ See note #5 on page A-17.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-15.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES, TRANSFERS-IN & OTHER ADDITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Funds	Internal Service Funds	Nonexpendable Trust Funds	Total
TOTAL REVENUES BY CLASS					
Licenses & Permits		\$ 30,106,804		\$ 302,887	\$ 30,409,691
Charges for Services	\$ 54,376	1,017,830	\$ 1,933,702		3,005,908
Investment Earnings		3,168,798		1,486,025	4,654,823
Fines & Forfeits		17,509			17,509
Federal Indirect Cost Recoveries		1,402,065			1,402,065
Sale of Documents and Merchandise		389,734	137,387		527,121
Rentals, Leases & Royalties				256,895	256,895
Miscellaneous		101,091	4,184		105,275
Grants, Contracts & Donations		457,969			457,969
Other Financing Sources		2,342,378	208,810		2,551,188
Federal		11,243,060			11,243,060
Total Revenues	<u>54,376</u>	<u>50,247,238</u>	<u>2,284,083</u>	<u>2,045,807</u>	<u>54,631,504</u>
Less: Nonbudgeted Revenues		959,285	137,389	5,607	1,102,283
Prior-Year Revenues Adjustments	(3,610)	1,584,249	4,004	72,815	1,657,458
Actual Budgeted Revenues	<u>57,986</u>	<u>47,703,704</u>	<u>2,142,690</u>	<u>1,967,385</u>	<u>51,871,765</u>
Estimated Revenue	<u>56,843</u>	<u>47,159,850</u>	<u>1,944,148</u>	<u>1,980,021</u>	<u>51,140,862</u>
Budgeted Revenues Over(Under) Estimated	<u>\$ 1,143</u>	<u>\$ 543,854</u>	<u>\$ 198,542</u>	<u>\$ (12,636)</u>	<u>\$ 730,903</u>
BUDGETED REVENUES OVER(UNDER) ESTIMATED BY CLASS					
Licenses & Permits		\$ 3,092,510		\$ 4,785	\$ 3,097,295
Charges for Services	\$ 1,143	15,396	\$ 218,542		235,081
Investment Earnings		26,439		397	26,836
Fines & Forfeits		(3,769)			(3,769)
Federal Indirect Cost Recoveries		250,635			250,635
Sale of Documents and Merchandise		48,159		(100,000)	(51,841)
Rentals, Leases & Royalties				82,182	82,182
Miscellaneous		10,722			10,722
Grants, Contracts & Donations		(108,352)			(108,352)
Other Financing Sources		(336,988)	(20,000)		(356,988)
Federal		(2,450,898)			(2,450,898)
Budgeted Revenues Over(Under) Estimated	<u>\$ 1,143</u>	<u>\$ 543,854</u>	<u>\$ 198,542</u>	<u>\$ (12,636)</u>	<u>\$ 730,903</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-15.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL REVENUES, TRANSFERS-IN & OTHER ADDITIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1995

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Funds	Total
TOTAL REVENUES BY CLASS						
Licenses & Permits		\$ 27,677,164			\$ 304,374	\$ 27,981,538
Charges for Services	\$ 40,280	991,837	\$ 74,668	\$ 1,934,159		3,040,944
Investment Earnings		2,483,883			1,300,716	3,784,599
Fines & Forfeits		46,205				46,205
Federal Indirect Cost Recoveries		1,326,888				1,326,888
Sale of Documents and Merchandise		472,237		135,500		607,737
Rentals, Leases & Royalties		(45,687)			166,107	120,420
Miscellaneous		240,841		101	(1,100)	239,842
Grants, Contracts & Donations		482,192				482,192
Other Financing Sources		3,364,943		184,716		3,549,659
Federal		12,221,116				12,221,116
Total Revenues	<u>40,280</u>	<u>49,261,619</u>	<u>74,668</u>	<u>2,254,476</u>	<u>1,770,097</u>	<u>53,401,140</u>
Less: Nonbudgeted Revenues		763,010		135,500	(2,953)	895,557
Prior-Year Revenues Adjustments		628,467		101	(3,885)	624,683
Actual Budgeted Revenues	<u>40,280</u>	<u>47,870,142</u>	<u>74,668</u>	<u>2,118,875</u>	<u>1,776,935</u>	<u>51,880,900</u>
Estimated Revenues	<u>25,000</u>	<u>47,448,503</u>	<u>72,500</u>	<u>1,901,660</u>	<u>2,168,834</u>	<u>51,616,497</u>
Budgeted Revenues Over(Under) Estimated	<u>\$ 15,280</u>	<u>\$ 421,639</u>	<u>\$ 2,168</u>	<u>\$ 217,215</u>	<u>\$ (391,899)</u>	<u>\$ 264,403</u>
BUDGETED REVENUES OVER(UNDER) ESTIMATED BY CLASS						
Licenses & Permits		\$ 3,909,651			\$ (284,230)	\$ 3,625,421
Charges for Services	\$ 15,280	(238,186)	\$ 2,168	\$ 217,215		(3,523)
Investment Earnings		484,621			56,224	540,845
Fines & Forfeits		(8,400)				(8,400)
Federal Indirect Cost Recoveries		247,662				247,662
Sale of Documents and Merchandise		21,964			(200,000)	(178,036)
Rentals, Leases & Royalties					36,107	36,107
Miscellaneous		16,788				16,788
Grants, Contracts & Donations		(144,287)				(144,287)
Other Financing Sources		(338,683)				(338,683)
Federal		(3,529,491)				(3,529,491)
Budgeted Revenues Over(Under) Estimated	<u>\$ 15,280</u>	<u>\$ 421,639</u>	<u>\$ 2,168</u>	<u>\$ 217,215</u>	<u>\$ (391,899)</u>	<u>\$ 264,403</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-15.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES, TRANSFERS-OUT & OTHER REDUCTIONS BY OBJECT BY PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	Administration & Finance Division	Field Services Division	Fisheries Division	Law Enforcement Division	Wildlife Division	Parks Division	Capital Outlay	Conservation Education Division	Department Management	Total
PROGRAM EXPENDITURES BY OBJECT										
Personal Services										
Salaries	\$ 1,210,566	\$ 810,305	\$ 2,595,566	\$ 2,897,754	\$ 2,484,713	\$ 1,335,606		\$ 610,059	\$ 1,289,292	\$ 13,233,861
Hourly Wages	31,944	165,160	931,036	41,568	554,358	697,173		11,611	121,516	2,554,366
Other Compensation	42					608	\$ 1,550		11,895	14,095
Employee Benefits	315,970	247,349	914,504	790,938	762,274	488,554		154,634	353,487	4,027,710
Personal Services-Other	(7,938)					1,040				(6,898)
Total	<u>1,550,584</u>	<u>1,222,814</u>	<u>4,441,106</u>	<u>3,730,260</u>	<u>3,801,345</u>	<u>2,522,981</u>	<u>1,550</u>	<u>776,304</u>	<u>1,776,190</u>	<u>19,823,134</u>
Operating Expenses										
Services	1,359,857	1,296,222	532,368	106,816	858,204	647,135	302,378	473,855	406,747	5,983,582
Supplies & Materials	514,198	184,511	620,588	408,083	706,089	332,813	31,676	233,410	119,253	3,150,621
Communications	210,161	54,308	177,840	155,490	176,508	90,175	851	114,374	145,307	1,125,014
Travel	23,219	230,588	482,144	631,905	481,476	248,132	24,598	84,576	114,103	2,320,741
Rent	100,621	115,455	73,840	36,268	432,812	36,001	2,290	5,434	45,654	848,375
Utilities	6,309	7,577	144,462	1,875	24,467	62,861	4,578	3,801	93,481	349,411
Repair & Maintenance	330,334	131,438	213,694	54,243	157,081	566,732	72,176	15,240	161,238	1,702,176
Other Expenses	643,082	299,107	58,648	117,298	43,815	642,272	2,232	63,607	43,793	1,913,854
Goods Purchased for Resale	117,833		1							117,834
Total	<u>3,305,614</u>	<u>2,319,206</u>	<u>2,303,585</u>	<u>1,511,978</u>	<u>2,880,452</u>	<u>2,626,121</u>	<u>440,779</u>	<u>994,297</u>	<u>1,129,576</u>	<u>17,511,608</u>
Equipment and Intangible Assets										
Equipment	(780)	2,738	290,519	180,974	71,439	569,215	11,755	130,022	53,730	1,309,612
Livestock				13,933	4,300					18,233
Intangible Assets									1,500	1,500
Total	<u>(780)</u>	<u>2,738</u>	<u>290,519</u>	<u>194,907</u>	<u>75,739</u>	<u>569,215</u>	<u>11,755</u>	<u>130,022</u>	<u>55,230</u>	<u>1,329,345</u>
Capital Outlay										
Land & Interest in Land					88		1,765,530			1,765,618
Buildings							98,509			98,509
Other Improvements					220,696		1,791,871			2,012,567
Total					<u>220,784</u>		<u>3,655,910</u>			<u>3,876,694</u>
Grants										
From State Sources			135,484	17,696	11,585	34,885		90,482	164,000	454,132
From Federal Sources						28,064				28,064
Total			<u>135,484</u>	<u>17,696</u>	<u>11,585</u>	<u>62,949</u>		<u>90,482</u>	<u>164,000</u>	<u>482,196</u>
Benefits and Claims										
From State Sources		4,795								4,795
Total		<u>4,795</u>								<u>4,795</u>
Transfers										
Accounting Entity Transfers	2,524,246									2,524,246
Total	<u>2,524,246</u>									<u>2,524,246</u>
Total Program Expenditures	<u>\$ 7,379,664</u>	<u>\$ 3,549,553</u>	<u>\$ 7,170,694</u>	<u>\$ 5,454,841</u>	<u>\$ 6,989,905</u>	<u>\$ 5,781,266</u>	<u>\$ 4,109,994</u>	<u>\$ 1,991,105</u>	<u>\$ 3,124,996</u>	<u>\$ 45,552,018</u>
PROGRAM EXPENDITURES BY FUND										
General Fund				111,063		288,645		2,879		402,587
Special Revenue Fund	\$ 4,608,807	\$ 3,441,907	\$ 7,170,694	5,343,778	\$ 6,989,905	4,687,184	\$ 4,109,994	1,988,226	\$ 3,124,996	41,465,491
Enterprise Fund	(60,781)					527,466				466,685
Internal Service Fund	1,345,613	107,646				277,971				1,731,230
Nonexpendable Trust Fund	1,486,025									1,486,025
Total Program Expenditures	<u>7,379,664</u>	<u>3,549,553</u>	<u>7,170,694</u>	<u>5,454,841</u>	<u>6,989,905</u>	<u>5,781,266</u>	<u>4,109,994</u>	<u>1,991,105</u>	<u>3,124,996</u>	<u>45,552,018</u>
Less: Nonbudgeted Expenditures	1,728,629		91,031			531,797			17,010	2,368,467
Prior-Year Expenditure Adjustments	(48,637)	14,244	57,160	18,213	15,205	40,414		708	9,656	106,963
Actual Budgeted Expenditures	<u>5,699,672</u>	<u>3,535,309</u>	<u>7,022,503</u>	<u>5,436,628</u>	<u>6,974,700</u>	<u>5,209,055</u>	<u>4,109,994</u>	<u>1,990,397</u>	<u>3,098,330</u>	<u>43,076,588</u>
Budget Authority	5,812,174	4,708,176	7,549,496	5,876,285	8,093,710	6,431,761	26,413,426	2,248,210	3,337,491	70,470,729
Unspent Budget Authority	<u>\$ 112,502</u>	<u>\$ 1,172,867</u>	<u>\$ 526,993</u>	<u>\$ 439,657</u>	<u>\$ 1,119,010</u>	<u>\$ 1,222,706</u>	<u>\$ 22,303,432</u>	<u>\$ 257,813</u>	<u>\$ 239,161</u>	<u>\$ 27,394,141</u>
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund				27		3,137		1		3,165
Special Revenue Fund	\$ 101,096	\$ 1,105,538	\$ 526,993	439,630	\$ 1,119,010	677,716	\$ 22,303,432	257,812	\$ 239,161	26,770,388
Enterprise Fund						532,050				532,050
Internal Service Fund	11,406	67,329				9,803				88,538
Unspent Budget Authority	<u>\$ 112,502</u>	<u>\$ 1,172,867</u>	<u>\$ 526,993</u>	<u>\$ 439,657</u>	<u>\$ 1,119,010</u>	<u>\$ 1,222,706</u>	<u>\$ 22,303,432</u>	<u>\$ 257,813</u>	<u>\$ 239,161</u>	<u>\$ 27,394,141</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-15.

DEPARTMENT OF FISH, WILDLIFE & PARKS
SCHEDULE OF TOTAL EXPENDITURES, TRANSFERS OUT & OTHER REDUCTIONS BY OBJECT BY PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 1995

	Administration & Finance Division	Field Services Division	Fisheries Division	Law Enforcement Division	Wildlife Division	Parks Division	Capital Outlay	Conservation Education Division	Department Management	Total
PROGRAM EXPENDITURES BY OBJECT										
Personal Services										
Salaries	\$ 1,167,901	\$ 688,834	\$ 2,448,318	\$ 2,626,454	\$ 2,482,936	\$ 1,309,244		\$ 638,141	\$ 1,213,089	\$ 12,574,917
Hourly Wages	25,946	151,507	915,805	63,479	574,943	647,201		10,290	101,492	2,490,663
Other Compensation	63					1,484	\$ 1,250		8,200	10,997
Employee Benefits	322,459	228,440	942,491	880,175	793,471	506,735		164,096	341,357	4,179,224
Personal Services-Other	(1,956)				(197)					(2,153)
Total	<u>1,514,413</u>	<u>1,068,781</u>	<u>4,306,614</u>	<u>3,570,108</u>	<u>3,851,350</u>	<u>2,464,467</u>	<u>1,250</u>	<u>812,527</u>	<u>1,664,138</u>	<u>19,253,648</u>
Operating Expenses										
Services	1,488,114	281,618	717,446	95,083	777,902	523,185	39,115	430,480	270,500	4,623,533
Supplies & Materials	482,219	216,959	470,602	281,144	1,339,561	329,541	9,142	228,699	116,339	3,472,206
Communications	177,079	40,006	95,193	136,186	162,009	76,141		105,348	101,504	893,466
Travel	18,057	199,174	459,428	594,528	485,059	255,051	3,521	85,802	114,243	2,214,863
Rent	81,510	102,179	60,465	37,608	371,962	110,919		2,381	37,177	804,221
Utilities	5,727	6,921	146,450	2,990	17,193	74,135		3,679	94,046	351,141
Repair & Maintenance	319,643	145,472	170,400	48,380	120,948	597,933	3,701	8,217	114,521	1,529,215
Other Expenses	632,746	283,820	58,124	114,928	72,319	173,239	1,364	32,401	53,610	1,422,551
Goods Purchased for Resale	99,881									99,881
Total	<u>3,304,976</u>	<u>1,276,169</u>	<u>2,178,108</u>	<u>1,310,847</u>	<u>3,346,953</u>	<u>2,140,144</u>	<u>56,843</u>	<u>895,007</u>	<u>902,030</u>	<u>15,411,077</u>
Equipment and Intangible Assets										
Equipment	128,985	92,694	201,377	143,822	73,434	20,101		58,699	28,844	747,956
Livestock				9,075	1,400					10,475
Intangible Assets	10,406	(1,572)	3,489			462			2,520	15,305
Total	<u>139,391</u>	<u>91,122</u>	<u>204,866</u>	<u>152,897</u>	<u>74,834</u>	<u>20,563</u>		<u>58,699</u>	<u>31,364</u>	<u>773,736</u>
Capital Outlay										
Land & Interest in Land			3,125				4,521,309			4,524,434
Buildings			42,224				830,646			872,870
Other Improvements					294,021		1,803,097			2,097,118
Total			<u>45,349</u>		<u>294,021</u>		<u>7,155,052</u>			<u>7,494,422</u>
Grants										
From State Sources		43,117	28,500		22,496	44,548	40,000	108,583	157,278	444,522
From Federal Sources						31,022				31,022
Total		<u>43,117</u>	<u>28,500</u>		<u>22,496</u>	<u>75,570</u>	<u>40,000</u>	<u>108,583</u>	<u>157,278</u>	<u>475,544</u>
Benefits and Claims										
From State Sources		12,828								12,828
Total		<u>12,828</u>								<u>12,828</u>
Transfers										
Accounting Entity Transfers	2,206,826		20,204				70,516		2,002	2,299,548
Total	<u>2,206,826</u>		<u>20,204</u>				<u>70,516</u>		<u>2,002</u>	<u>2,299,548</u>
Debt Service										
Installment Purchases						59,519				59,519
Total						<u>59,519</u>				<u>59,519</u>
Total Program Expenditures	<u>\$ 7,165,606</u>	<u>\$ 2,492,017</u>	<u>\$ 6,783,641</u>	<u>\$ 5,033,852</u>	<u>\$ 7,589,654</u>	<u>\$ 4,760,263</u>	<u>\$ 7,323,661</u>	<u>\$ 1,874,816</u>	<u>\$ 2,756,811</u>	<u>\$ 45,780,321</u>
PROGRAM EXPENDITURES BY FUND										
General Fund						278,609				\$ 278,609
Special Revenue Fund	\$ 4,366,455	\$ 2,279,588	\$ 6,783,641	\$ 5,033,852	\$ 7,589,654	4,207,860	\$ 7,323,661	\$ 1,874,816	\$ 2,756,811	42,216,338
Enterprise Fund	1,498,435	212,429				25,159				25,159
Internal Service Fund	1,300,716					248,635				1,959,499
Nonexpendable Trust Fund										1,300,716
Total Program Expenditures	<u>7,165,606</u>	<u>2,492,017</u>	<u>6,783,641</u>	<u>5,033,852</u>	<u>7,589,654</u>	<u>4,760,263</u>	<u>7,323,661</u>	<u>1,874,816</u>	<u>2,756,811</u>	<u>45,780,321</u>
Less: Nonbudgeted Expenditures	1,800,756					(61,362)				1,739,394
Prior Year Expenditure Adjustments	(114,836)	4,073	100,048	16,779	24,535	70,713		8,622	2,366	112,300
Actual Budgeted Expenditures	<u>5,479,686</u>	<u>2,487,944</u>	<u>6,683,593</u>	<u>5,017,073</u>	<u>7,565,119</u>	<u>4,750,012</u>	<u>7,323,661</u>	<u>1,866,194</u>	<u>2,754,445</u>	<u>43,928,627</u>
Budget Authority	5,676,350	2,492,402	7,653,720	5,099,493	8,764,316	5,930,387	18,479,353	1,941,476	2,956,812	58,994,309
Unspent Budget Authority	<u>\$ 196,664</u>	<u>\$ 4,458</u>	<u>\$ 970,127</u>	<u>\$ 82,420</u>	<u>\$ 1,199,197</u>	<u>\$ 1,179,475</u>	<u>\$ 11,155,692</u>	<u>\$ 75,282</u>	<u>\$ 202,367</u>	<u>\$ 15,065,682</u>
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund						2				\$ 2
Special Revenue Fund	\$ 128,879	\$ 4,119	\$ 970,127	\$ 82,420	\$ 1,199,197	1,150,275	\$ 11,155,692	\$ 75,282	\$ 202,367	14,968,358
Enterprise Fund						15,329				15,329
Internal Service Fund	67,785	339				13,869				81,993
Unspent Budget Authority	<u>\$ 196,664</u>	<u>\$ 4,458</u>	<u>\$ 970,127</u>	<u>\$ 82,420</u>	<u>\$ 1,199,197</u>	<u>\$ 1,179,475</u>	<u>\$ 11,155,692</u>	<u>\$ 75,282</u>	<u>\$ 202,367</u>	<u>\$ 15,065,682</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-15.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1996

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds and Agency Funds. In applying the modified accrual basis, the department records:

- Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
- Expenditures for valid obligations when the department incurs the related liability and it is measurable.

State accounting policy requires the department to record the cost of employees' annual leave and sick leave when used or paid.

The department uses accrual basis accounting for Proprietary and Nonexpendable Trust Funds. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period earned, if measurable, and expenses in the period incurred, if measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end, and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule presentation is in accordance with the policy of the Legislative Audit Committee. For audit reports issued after July 1, 1996 the Legislative Audit Committee approved a new financial schedule presentation for inclusion in agency audit reports. The schedules now include nonbudgeted revenue and expenditure activity and prior year revenue and expenditure adjustments for all financial schedules presented. In addition, financial activity for agency funds, if applicable to the agency, is included in the Schedule of Changes in Fund Balance and Property Held in Trust.

Notes to the Financial Schedules

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The department uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund. General fund activity includes support for state parks activity.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include federal and private grants, donations, and state earmarked revenue from license and permit fees.

Proprietary Funds

Internal Service Fund - to account for providing goods or services to other funds or agencies on a cost-reimbursement basis. Department Internal Service Funds include printing services, department-owned vehicles, warehouse inventory items, and grounds maintenance and snow removal for the capitol complex area.

Enterprise Fund - to account for operations: (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate. The department's Enterprise Fund includes revenue and expenditures from providing snow-groomer equipment for snowmobile clubs.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the state in a trustee capacity. Department trust funds include revenue from the sale or lease of department lands and investment earnings from the Fish, Wildlife and Parks Trust account. Revenue earned from the investment of the trust money is transferred to the Special Revenue Fund for expenditure. The department Agency Fund is used as a license drawing clearing account.

Notes to the Financial Schedules

- 2. Compensated Leave**

Employees at the department accumulate both annual and sick leave. Nonexempt employees accumulate compensation leave covered by the Fair Labor Standards Act. The department pays employees for 100 percent of unused annual leave credits, 25 percent of unused sick leave credits, and 100 percent of unused Fair Labor Standards Act leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave, and compensatory time are not reflected in the accompanying financial schedules. The department absorbs expenditures for termination pay in its annual operational costs. At June 30, 1996, the department had a liability of \$4,869,936.
- 3. Pension Plan**

Employees are covered by the Montana Public Employees' Retirement System and the Game Wardens' Retirement System (GWRS). The department's contribution to the retirement systems was \$1,140,120 in fiscal year 1994-95 and \$1,053,694 in fiscal year 1995-96.

The department is the sole employer for the Game Wardens. The GWRS is administered by the Public Employees' Retirement Division. Additional information regarding the retirement systems is available from the Public Employees' Retirement Division.
- 4. General Fund Balance**

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.
- 5. Enterprise Fund**

The Enterprise Fund was eliminated in fiscal year 1995-96 and the snowgroomer replacement activity is now recorded in a Special Revenue Fund. In fiscal year 1994-95 this activity was recorded in the Enterprise Fund.

Agency Response



Montana Fish, Wildlife & Parks

P. O. Box 200701
Helena, MT 59620-0701
(406) 444-3186
FAX: 406-444-4952
Ref: PG0139.97
March 7, 1997

Scott Seacat, Legislative Auditor
Legislative Audit Division
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

We have reviewed the financial-compliance audit report issued on the Department of Fish, Wildlife and Parks for the two fiscal years ending June 30, 1996. The Department's response to the recommendation contained in the report follows:

Recommendation #1

We recommend the department adjust rates in the Internal Service Fund to ensure that fees are commensurate with costs in accordance with state law.

The department believes its Internal Service Fund fees are set according to state law.

We agree that Section 17-8-101(5), MCA requires rates in Internal Service Funds to be based upon commensurate costs. Over time, our rates do just that. However, in any one year, we may see a profit or loss given diversity of vehicles and range number of miles driven. We interpret that statute to require us to include any gains or losses in the calculation of future rates in order to ensure **over time** rates are commensurate with costs.

Analyzing the rate structure for one fiscal year can be misleading. In order to determine if vehicle rates are commensurate with costs, the analysis must focus on a wider perspective. The fund balance (adjusted for the vehicle transfer) in the department's vehicle account actually decreased from FY88 to FY94. Also for five out of the last eight years, the vehicle account, after adjusting for the vehicle transfer, has incurred a net loss.

The department's rate setting procedures take into account excess income or loss generated from previous periods. When an agency sets rates in advance for a fleet that will drive over 4.5 million

Scott A. Seacat
March 7, 1997
Page 2

miles a year, the revenue generated will not recover exactly the related expenditures. Over or under collections cannot be reversed immediately without having highly volatile rates. This would have serious impacts on our wardens, biologists and field personnel since their budgets are set by the legislature two years in advance. We feel the current procedures of adjusting rates over time meets the intent of the law.

Recommendation #2

We recommend the department have a quorum of commission members present to conduct business and approve decisions.

The department concurs with this recommendation.

This was an isolated event and the single decision made was perfunctory given that the U.S. Fish & Wildlife Service has ultimate authority over the decision. The commission will make every effort to ensure that it does not happen again.

We thank you for the opportunity to respond to this recommendation. We appreciate the professional manner in which the audit was conducted.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Graham", with a long horizontal flourish extending to the left.

Patrick J. Graham
Director